

Provisions in ARPA that help Families with Children

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021. ARPA has a number of provisions that will specifically help families with children. The annotated list below describes seven of those provisions.

1. Expansion of the Child Tax Credit

The ARPA makes a number of changes to the existing child tax credit, including:

- Making the credit fully refundable for 2021
- Including 17-year-olds in the definition of qualifying children
- Increasing the amount of the credit for children over age seven to \$3,000
 - Was \$2,000 for all children under the age of 17
- Increasing the amount of the credit for children 0-6 to \$3,600
- Directing the IRS to estimate each taxpayers' child tax credit and pay it in advance monthly payments from July through December 2021
- Making the remainder for the first 6 months of 2022 available in the spring of 2022 when the taxpayer files the 2021 tax return
- Phasing out the CTC for taxpayers starting at AGI of \$75,000 for a single or \$150,000 for a joint return
 - Higher-income taxpayers still qualify for the old \$2,000 CTC that begins to phase out with AGI of \$200,000 for single returns and \$400,000 for joint returns

2. Expansion of the Child and Dependent Care Credit

ARPA makes this credit fully refundable for 2021, making it available to many low-income families for the first time.

- Families can claim up to 50 percent of childcare expenses
 - Previous limit was 35 percent
- Eligible expenses increase to \$8,000 for one qualifying individual and to \$16,000 for two or more qualifying individuals
 - Previous limit was \$3,000 for one and \$6,000 for two or more
- The beginning of the phaseout threshold increases from \$15,000 to \$125,000
 - The maximum credit of 50 percent is reduced by one percentage point for every \$2,000 in AGI over \$125,000 until it reaches 20 percent at \$400,000 AGI
- For families with AGI above \$400,000, the 20 percent maximum credit is further reduced until it reaches zero.

3. Recovery Rebates

ARPA provides a \$1,400 payment to qualified individual taxpayers (\$2,800 in the case of a joint return filers) plus an additional \$1,400 for each dependent reported on the taxpayer's return.

- The first two stimulus payments considered only children under age 17 as eligible for recovery rebates to their parents. This new law expands the definition of dependents to include older children and other family members qualifying as dependents for tax purposes.
- The ARPA stimulus payments phase down to \$0 when a taxpayer's adjusted gross income falls between \$75,000 to \$80,000 for individual taxpayers, \$112,500 to \$120,000 for head of household filers, and \$150,00 to \$160,000 for joint return filers.

4. Pandemic EBT Card, 2020-2021 school year

A temporary food benefit was extended to families for students receiving free or reduced lunch through the national lunch program but forced to attend school remotely or partially remotely.

- \$119.35 for a remote learning month.
- A partial benefit for a hybrid learning month (some days at school, some days remote). The partial benefit for September through December 2020 will be \$71.61 per month. This may be higher or lower for January through June 2021.
- No benefit for an in-person learning month.
- The first round of benefits for September 2020 - February 2021 is expected to be issued in mid-April 2021.
- Benefits for March -June 2021 are expected to be issued in July 2021.

5. Child Care and Development Block Grant Funds

Vermont will receive \$18.4 million to give families and essential workers childcare assistance, and to support childcare providers, especially in the publicly-funded child care programs, but without the income eligibility requirements or quality improvement expenditures usually required for CCDBG. The funding provided to states must "supplement, not supplant, other federal, state, and local public funds expended for childcare services for eligible individuals" and must be spent by September 30, 2024.

6. Child Care Stabilization Grants

\$29.4 million will come to Vermont to support the childcare industry in the aftermath of the coronavirus pandemic. Subgrants can be used to reimburse programs for past or

future costs, and for publicly-funded and private-pay child care programs for these purposes:

- recruit, retain and pay staff,
- building and facilities costs,
- health and safety practices,
- mental health support for staff and children, and
- other Covid-19 related equipment and supplies.

7. Head Start

Vermont will receive \$1.7 million in grants to support the Head Start program through a one-time grant based on Vermont's share of Head Start students enrolled.